

P-404, 421, 405, 407, 427, 430, 426, 520/CP-92-287 ORDER REQUIRING COST STUDIES,
PROPOSED RATES AND A LOWER COST ALTERNATIVE.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from the Enfield Exchange to the
Minneapolis/St. Paul Metropolitan Calling
Area

ISSUE DATE: January 30, 1995

DOCKET NO. P-404, 421, 405, 407, 427, 430,
426, 520/CP-92-287

ORDER REQUIRING COST STUDIES,
PROPOSED RATES AND A LOWER COST
ALTERNATIVE.

PROCEDURAL HISTORY

On April 9, 1992, subscribers in the Enfield exchange filed a petition for Extended Area Service (EAS) to the Minneapolis/St. Paul Metropolitan Calling Area (MCA). Enfield is adjacent to, and northwest of the Monticello exchange. Both Enfield and Monticello are served by Bridge Water Telephone Company (Bridge Water).

On April 17, 1992, the Minnesota Department of Public Service (the Department) filed a letter recommending that the Enfield petition be suspended until the outcome of the Monticello petition is determined.

On August 4, 1992, the Commission issued an Order suspending further consideration of the Enfield petition until the Monticello exchange has been balloted for EAS to the metro calling area.

On July 11, 1994, the Commission issued an Order in Docket No. P-404, 421, 430, 407, 405, 520/CP-89-1039 certifying the results of the Monticello to metro EAS balloting process. Monticello subscribers voted in favor of EAS to the metro calling area.

On July 18, 1994, the Commission issued an Order in this matter finding that the admission of Monticello to the MCA rendered Enfield adjacent to the MCA. Accordingly, the Commission directed Bridge Water to file traffic studies so the Commission could determine whether Enfield met the second EAS criterion: adequate traffic to the petitioned area.

On September 15, 1994, Bridge Water filed its traffic study.

On September 16, 1994, the Department filed its recommendation to require cost studies and proposed rates.

On January 24, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

A. Background

The EAS statute sets three requirements for granting an EAS petition:

- (1) The petitioning exchange must be contiguous with (adjacent to) the exchange or local calling area to which it seeks EAS.
- (2) Traffic studies must show that at least 50 percent of the customers in the petitioning exchange make at least one call each month to the exchange or local calling area to which EAS is sought.
- (3) A majority of customers responding to a Commission poll of the petitioning exchange must vote in favor of EAS.

Minn. Stat. § 237.161, subd. 1 (1992).

In an earlier Order, the Commission has already found that Enfield meets the first requirement: adjacency.

B. Traffic Requirement

In this Order, the Commission will determine whether, based on the traffic data submitted, Enfield meets the second requirement: adequate traffic.

Bridge Water submitted traffic data for the July 22, 1994 to August 21, 1994 time period. The study indicated that 89.5 percent of the Enfield subscribers make calls to the MCA.

The Department recommended that the traffic criterion was met for the Enfield exchange, and that the Commission should require the companies to file cost studies and proposed rates.

The Commission finds that the second EAS criterion is met. Bridge Water's traffic study shows that more than 50 percent of Enfield subscribers make one or more calls to the MCA per month. Accordingly, the Commission will proceed to the final step: determination of whether there is adequate subscriber support among Enfield subscribers to warrant installation of the requested EAS.

C. Preparation for Polling: Cost Studies and Proposed Rates

Before polling the Enfield subscriber to assess their support for the proposed EAS, the Commission will establish the EAS rates that Enfield subscribers would pay so that this information can appear on the ballots. The Commission believes that provision of this information is an important part of assuring an informed decision by Enfield subscribers.

In setting EAS rates, it would assist the Commission to receive cost studies and proposed EAS rates from the parties. Therefore, the Commission will direct the Department and the involved telephone companies to file cost studies and proposed rates. The involved telephone companies are Bridge Water, GTE, US West, United, Vista, Scott-Rice, Sherburne County, and Eckles telephone companies.

To assure uniform, high quality cost studies, the Commission will establish the following parameters for the required cost studies and proposed rate filings:

1. Companies should use 12 months of traffic data upon which to base their cost studies and proposed rates. If 12 months of data are not available, the companies should annualize the data using the months they do have.
2. Bridge Water's proposed rates for Enfield subscribers must be at least equal to, or higher than the rates in a neighboring MCA exchange. Such rates may require that more than 75 percent, and up to 100 percent of the total EAS costs be recovered from the Enfield exchange. The cost studies should indicate what percentage of the EAS costs are eventually proposed to be recovered from the Enfield exchange.
3. The proposed rates for existing MCA subscribers should meet the requirements of Minn. Stat. §237.161 and shall use the companies' past practices for establishing EAS rate additives.
4. The cost studies and proposed rates should include costs for the exchanges recently added, or about to be added to the MCA. Those exchanges are Monticello and Zimmerman.

D. Lower Cost Alternative

Under the EAS law, when the petitioning exchange has requested EAS to the MCA, the company serving the petitioning exchange is required to provide a lower cost alternative to EAS. Minn. Stat. § 237.161, subd. 1 (c) (1992).

Accordingly, the Commission will require Bridge Water to file its proposed lower-priced alternative to EAS along with its cost studies and proposed rates.

ORDER

1. Within 60 days from the date of this Order, the telephone companies serving the MCA and Enfield shall file with the Commission (and serve on the Department, petition sponsor, and other parties the same day they are filed with the Commission) cost studies and proposed rates following the four parameters enumerated above. The companies affected by this directive are Bridge Water, GTE, USWC, United, Vista, Scott-Rice, Sherburne County, and Eckles telephone companies.
2. Bridge Water shall file its proposed lower-priced alternative along with its cost studies, i.e. within 60 days from the date of this Order.
3. Within 45 days after the cost studies and proposed rates are filed, the Department shall file its report and recommendation. If the Department recommends changes in the assumptions used in the cost studies, it shall recalculate the rates using its own assumptions. If the Department determines that changes in the cost studies are reasonable, it shall recalculate rates based on the changes.
4. Parties shall have 20 days to comment on the Department's report.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)